Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Message Text

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PAGE 01 BUENOS 07770 212206Z

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-04 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 OMB-01 NSC-05 SS-15 STR-01 CEA-01 PA-01 PRS-01

USIE-00 SSO-00 INRE-00 SSC-01 /061 W
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O 212056Z OCT 74
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC IMMEDIATE 8550

C O N F I D E N T I A L BUENOS AIRES 7770

E.O. 11652: GDS
TAGS: EFIN, AR
SUBJECT: ECONOMICS MINISTER GELBARD RESIGNS; GOMEZ MORALES NAMED NEW MINISTER

REF BA 6617

1. AT 1045 THIS MORNING, GOA OFFICIALLY ACCEPTED RESIGNATION OF ECONOMICS MINISTER JOSE GELBARD ALONG WITH OTHER MEMBERS OF ECONOMIC TEAM (SOME OF THESE MAY BE ASKED TO STAY ON). IMMEDIATELY THEREAFTER, DR ALFREDO GOMEZ MORALES WAS SWORN IN AS NEW ECONOMICS MINISTER THUS CONFIRMING VIEW THAT HE MIGHT RE-EMERGE AS STONG MAN ON ECONOMIC SCENE (SEE BA 6617).

2. SPEED OF GOA ACTION CAME AS SOMETHING OF A SURPRISE, ALTHOUGH GELBARD'S POSITION HAD BEEN WEAKENED LATELY UNDER RISING CHORUS OF CRITICISM. TACTICAL ISSUE WHICH APPARENTLY RESULTED IN HIS DOWNFALL WAS FOOT DRAGGING ON CONVOCATION OF GRAN PARITARIA, AND SEEMING FAVORITISM TO CGE OVER CGT.

3. DESIGNATION OF GOMEZ MORALES AS NEW ECONOMIC MINISTER REPRESENTS VICTORY OF ORTHODOX PERONISM OVER "OUTSIDER" GELBARD. REPORTEDLY, GOMEZ MORALES MAINTAINED CLOSE RELATIONS WITH LOPEZ REGA FOLLOWING HIS DEPARTURE AS CENTRAL BANK PRESIDENT, ACTING
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PAGE 02 BUENOS 07770 212206Z

AS INFORMAL ECONOMIC ADVISOR. LATTER BELIEVED INSTRUMENTAL

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

IN GOMEZ MORALES' RETURN TO POWER AND OUSTING OF HIS OLD RIVAL BELBARD, BUT FEW BELIEVE GOMEZ MORALES LIKELY TO BECOME A LOPEZ REGA PAWN.

4. REACTION TO GOMEZ MORALES APPOINTMENT LIKELY TO BE FAVORABLE. MILITARY AND UCR PARTY IN PARTICULAR SHOULD BE PLEASED AT MORE ORTHODOX ECONOMIC MANAGEMENT. FINANCIAL AND BUSINESS INTERESTS WILL BE RE-ASSURED AT HAVING ECONOMIC LEADERSHIP IN HANDS OF ECONOMIST AND FORMER CENTRAL BANK PRESIDENT WITH INTERNATIONAL REPUTATION AND PRESTIGE. REACTION OF CGT BUREAUCRACY MAY BE MORE CAUTIOUS SINCE GOMEZ MORALES NOT LIKELY TO APPROVE BIG WAGE INCREASES THAT LEAD TO MORE MONETARY INSTABILITY.

5. WHILE EARLY TO SPECULATE, THERE IS WIDE CONSENSUS THAT NEW APPOINTMENT MAY MEAN ADDITIONAL FLEXIBILITY IN PRICE CONTROL PROGRAM AND MORE FLEXIBLE ATTITUDE TOWARD FOREIGN INVESTMENT. THERE IS ALSO SPECULATION THAT ONE OF GOMEZ MORALES' FIRST ACTS AS ECONOMICS MINISTER WILL BE DEVALUATION OF PESO. FROM TACTICAL STANDPOINT DEVALUATION NOW-WHICH COULD BE BLAMED ON GELBARD AND LATER COMPENSATED AS NECESSARY UNDER GRAN PARITARIA-MIGHT PROVE ATTRACTIVE. AS OF 1500 TODAY, HOWEVER, FINANCIAL MARKETS WERE OPERATING NORMALLY WITH PARALLEL RATE OF 22.20/22.30. EMBASSY WILL CONTINUE TO KEEP DEPARTMENT INFORMED AS EVENTS DEVELOP.
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